
Gresham Housing Implementation Strategy Background Report

February 2019

Prepared for:
The City of Gresham

DRAFT REPORT

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ECONorthwest prepared this report to the City of Gresham. It received substantial assistance from City staff. That assistance notwithstanding, ECONorthwest is responsible for the content of this report. The staff at ECONorthwest prepared this report based on their general knowledge of housing and development economics, and on information derived from government agencies, private statistical services, the reports of others, interviews of individuals, or other sources believed to be reliable. ECONorthwest has not independently verified the accuracy of all such information, and makes no representation regarding its accuracy or completeness. Any statements nonfactual in nature constitute the authors' current opinions, which may change as more information becomes available.

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1 Introduction and Purpose

Like communities across the Portland region, the City of Gresham has seen rising rents and home sales prices since the end of the Great Recession. Many people in the community face high cost burdens and are vulnerable to the risk of being displaced if their rent increases. At the same time, the older housing stock and a relatively large supply of apartment homes makes the city one of the most affordable in the region. In 2017, staff outlined a housing policy framework that it could use to encourage housing development. However, there is more the City could do to advance housing affordability and availability, and to encourage a range of housing options that meets current and future residents' needs.

Oregon House Bill 4006, passed in 2016, provided an opportunity for the City to develop a housing strategy that builds upon this policy framework. The bill established new requirements for cities with a population over 10,000 people that have extreme rent burdens, where greater than 25% of renter households pay more than 50% of monthly income on rent. As of 2017, Gresham was one of these cities. The bill also provided grant funding for local governments to update housing plans, amend development codes, and develop implementation strategies to increase the affordability of housing and reduce rent burden for severely rent burdened households. To support this effort, the City convened a Task Force to assist in the creation of a Housing Implementation Strategy. The Task Force's charge is to review a comprehensive set of potential policies, funding tools, tenant protections and supports, and development incentives, and provide recommendations on which ones the City should advance.

The City of Gresham received a grant from the Oregon Department of Land Conservation and Development (DLCD) to fund consultant services from ECONorthwest to support the City and the Task Force in developing aspects of that housing strategy and implementation.

ECONorthwest's grant funded analysis focuses on one aspect of the Task Force's work: identifying tools and programs that (1) encourage the preservation of existing income restricted and low cost market rate housing and (2) support the development of new affordable housing.

The purpose of this Background Report is to provide information to the Task Force and City staff about the market context, and to evaluate a set of possible interventions, including policy changes and funding tools, that can help to support deliberations.

This Background Report has the following sections:

- **Housing Market Context.** This section outlines factors in the housing market that drive the need for a well-honed strategy.
- **Housing Market Framework.** This section provides an overview of the factors that influence development feasibility, and what local governments can do to influence new development activity.
- **Housing Strategies Toolkit.** This section outlines possible tools that could increase housing affordability and availability in the city. The goal of this section is to provide enough information for the Task Force to select tools to evaluate in greater detail.

2 Housing Market Context

Gresham provides some of the most affordable housing in the region, both for apartment homes and single-family housing. This is due to the city's location within the Portland region and older housing stock. Many of these units have not been renovated in many years, which has helped to keep rents low.

Gresham's rents have increased since the Great Recession, but at a lower rate than other communities in the Portland region that have seen substantial new development. As rents have increased in other communities, some households have relocated to Gresham in search of lower housing costs, creating more competition for the city's lower cost housing supply. Sales prices for ownership housing, on the other hand, have increased at close to the same rate as other communities throughout the region.

Despite rising housing costs, household incomes in Gresham have not kept pace. Since 2009, other communities in the region have seen large increases in household incomes, while Gresham's household incomes have increased only slightly. Relatively stagnant wages and rising housing costs have led to increased housing cost burden for Gresham's households, with 62% of renter households and 29% of owner households spending more than 30% of their household income on housing. Some lower income households would qualify for regulated affordable units, but despite having a higher share of regulated affordable housing units than many communities in the region, Gresham's supply of regulated units cannot meet the growing demand. As is the pattern on a regional scale, Gresham's higher rent burdens are related to the city's large share of households with lower incomes. Adding to this cost burden, most workers who live in Gresham commute outside of the city to their jobs, with 85% of residents working outside of Gresham.

Most of the new multifamily housing units that have been constructed since 2010 have been located in West Gresham and Southeast Gresham. However, the City of Gresham has planned capacity for new housing throughout the city, both in central neighborhood like downtown and the Rockwood neighborhood, as well as the Pleasant Valley and Springwater neighborhoods on the city's periphery.

This section provides an overview of past research conducted by City of Gresham and ECONorthwest staff on current housing market conditions in Gresham, including the 2015 Gresham Neighborhood Change report¹ (updated with current data) and analysis that ECONorthwest completed in 2018 for the Gresham Redevelopment Commission on the housing market in the Rockwood neighborhood. It also includes analysis from City of Gresham staff. Its purpose is to provide context and focus for the Strategy. Whenever possible, we have provided data for the most current year available. In some cases, we have provided analysis from a previous report that does not have the most recent data.

¹ ECONorthwest. Gresham Neighborhood Change Analysis. 2015.

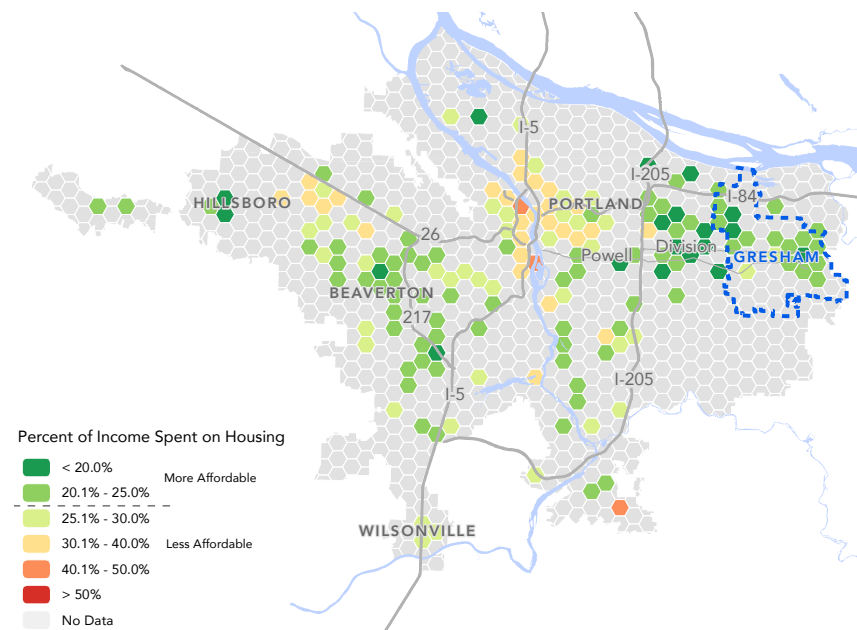
<https://www.oregonmetro.gov/sites/default/files/2017/07/26/Gresham%20Neigh%20Change%20Final%20Report.pdf>

Gresham's Housing is Among the Most Affordable in the Region

Gresham is one of the most affordable areas for multifamily housing in the Portland region.

Exhibit 1. Percent of Household Income Spent on Housing for Renters, Portland Region, 2016

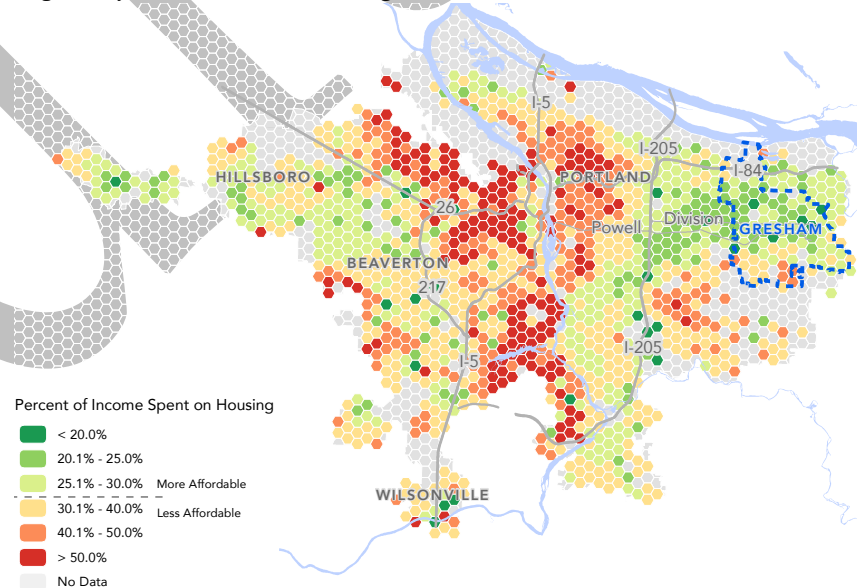
Source: Costar, Metro RLIS, U.S. Department of Housing and Urban Development
One-Bedroom Units at a Household Income of \$54,975 (75% of 2016's Portland Region MFI of \$73,300)



Gresham is one of the most affordable areas for single-family homeownership in the Portland region.

Exhibit 2. Single-Family Affordability, Portland Region, 2016

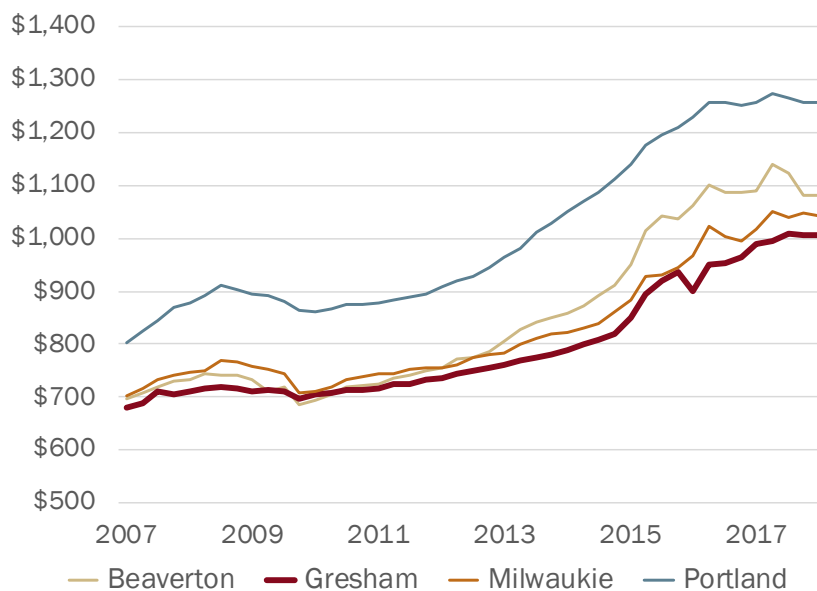
Source: Costar, Metro RLIS, U.S. Department of Housing and Urban Development
Single family units at 2016's Portland Region MFI of \$73,300



Gresham's average multi-family rents have increased since the recession, but remain lower than other cities in the region.

Exhibit 3. Average Multi-Family Rents, Gresham and Other Cities in Portland Region, All Units, 2007-2017

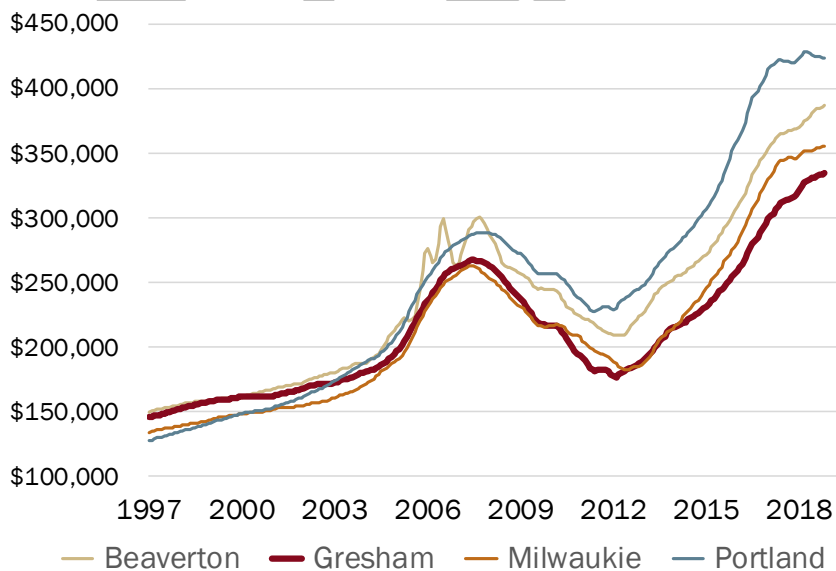
Source: Costar



Home sales prices are lower in Gresham than in other cities in the region, but they have increased at close to the same rate as other communities.

Exhibit 4. Zillow Home Price Index, Gresham and Other Cities in Portland Region, 1997-2018

Source: Zillow



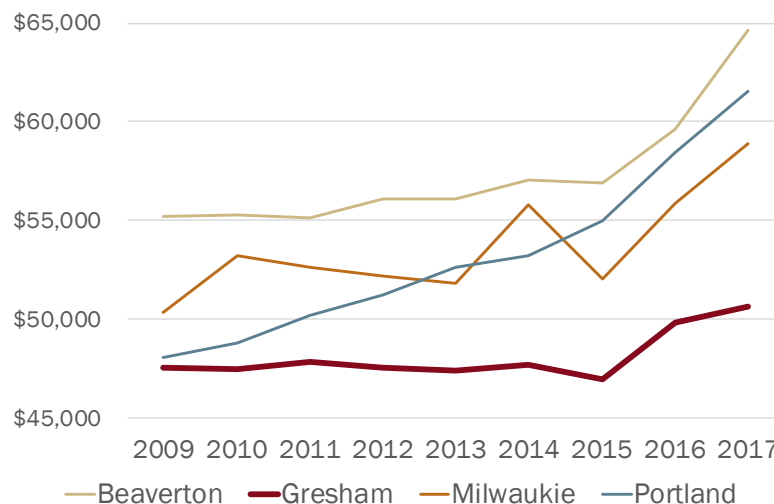
Household Incomes in Portland and Gresham

Household Incomes in Gresham have not kept pace with the growth observed in Portland.

In contrast to other communities in the region, Gresham's household incomes have only slightly increased since 2009.

Exhibit 5. Median Household Income in Gresham and Other Cities in Portland Region, 2009-2017

Source: American Community Survey 5-Year Data



Housing Supply is Mismatched with Resident Incomes

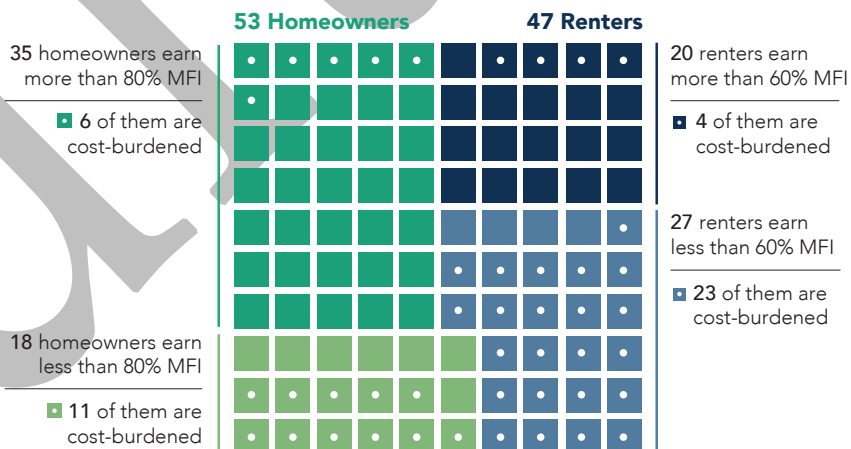
Many Gresham homeowners and renters are cost burdened, with 44% of households paying more than 30% of their income for housing.

Of households earning less than 80% of MFI, the share of cost burdened households jumps to 61% of homeowners and 85% of renters.

Exhibit 6. Cost Burden by Tenure, Gresham, 2015

Source: 2011-2015 American Community Survey 5-Year Estimates

If all of Gresham's residents were 100 households...

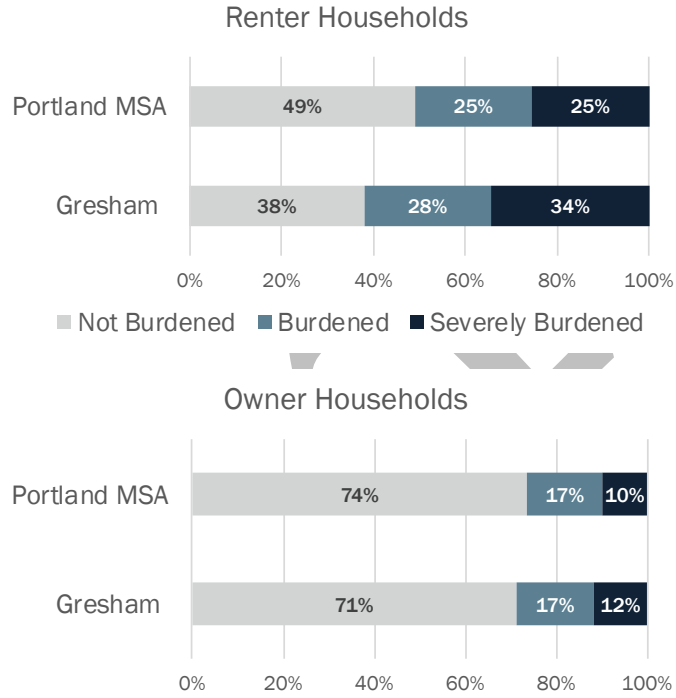


Rates of housing cost burden are higher in Gresham than in the Portland region, particularly for renters.

62% of renter households are cost-burdened in Gresham.

Exhibit 7. Cost Burden in Gresham and Portland MSA, 2017

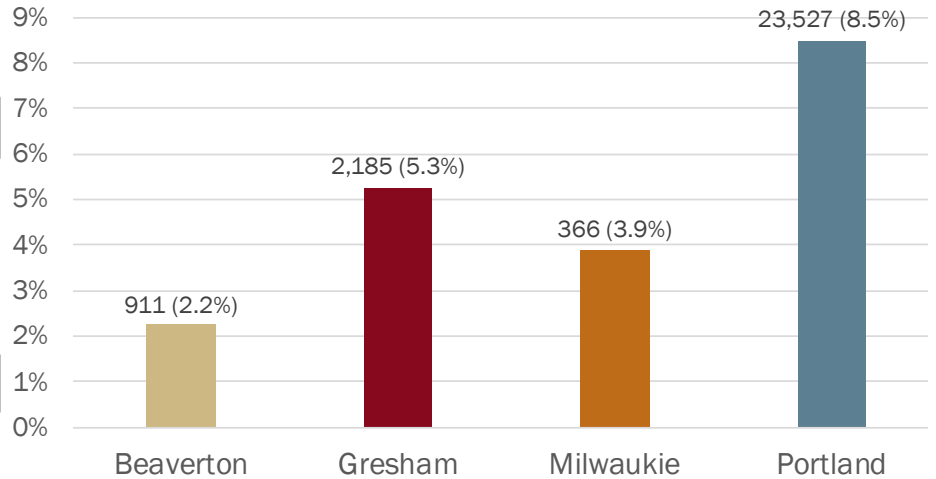
Source: American Community Survey



Gresham's supply of regulated affordable housing (relative to total housing stock) is higher than some other cities in the region, but not as high as in Portland.

Exhibit 8. Regulated Affordable Housing Units by City as a Share of Total Housing Units, 2017

Source: American Community Survey (total housing units), Metro Affordable Housing Report 2017 (regulated affordable rental housing units)

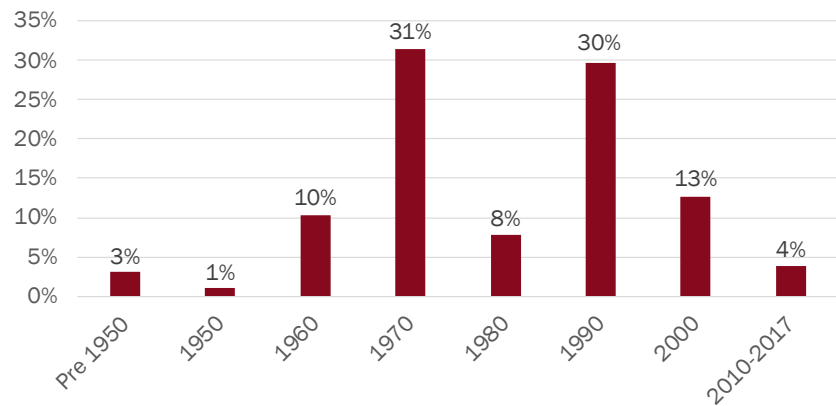


Most of Gresham's Multi-Family Housing Stock Was Built Before 2000

Gresham's multi-family housing stock is aging, with new construction making up a small portion of total units.

Exhibit 9. Share of Multifamily Units by Age in the City of Gresham, 1970-2017

Source: Metro RLIS, 2018

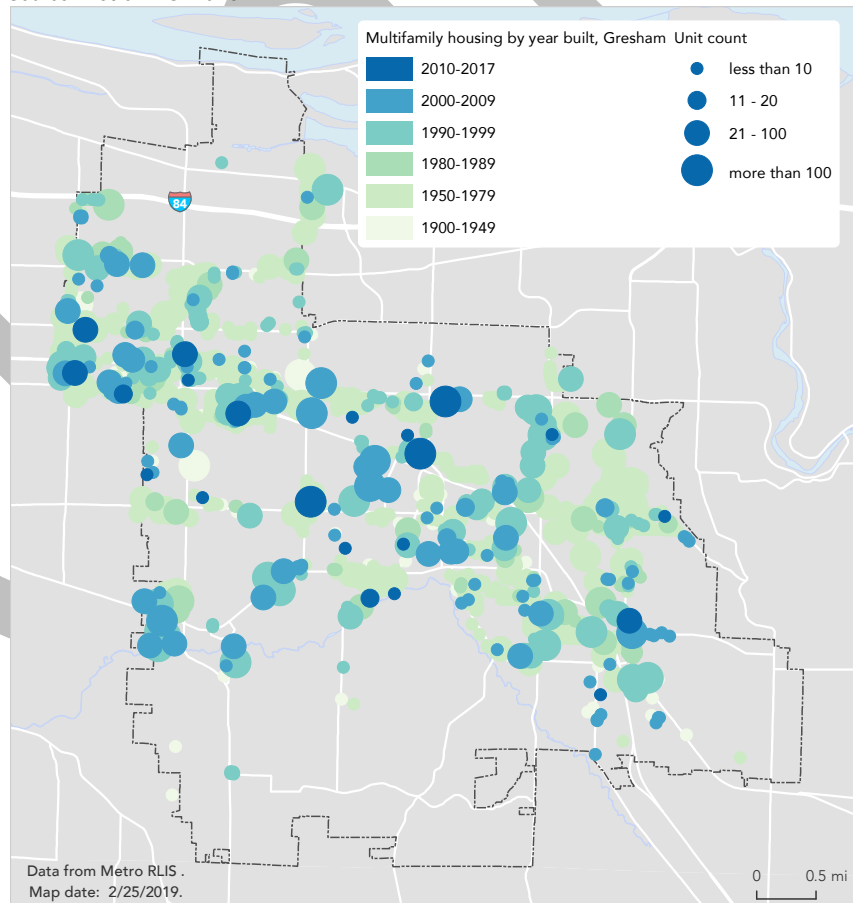


Most of the housing built since 2010 is located in Central Gresham and the Rockwood Neighborhood.

The city's large stock of housing built before 1980 is distributed in the core of the city along major arterials. There has been very little multifamily built in the southern part of the city.

Exhibit 10. Multifamily Housing in Gresham by Building Age and Number of Units, 2019

Source: Metro RLIS, 2019

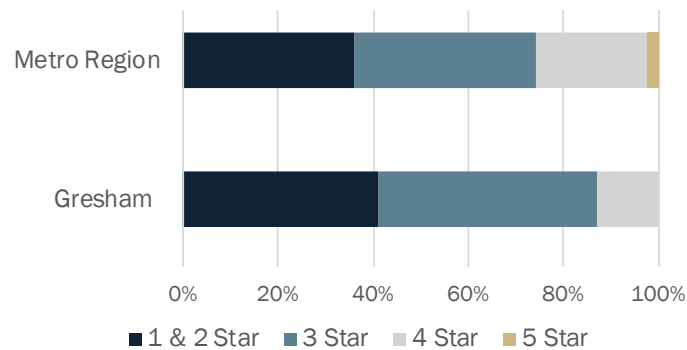


Gresham has many older units, some of which are suffering from disinvestment and lack of maintenance.

Gresham has a concentration of one and two star buildings, which are aging buildings that offer below average finishes. In one star properties, the units require significant renovation to remain competitive and are functionally obsolete.

Exhibit 11. Number of Units by CoStar Star Rating, Metro and Portland Region, 2017

Source: Costar

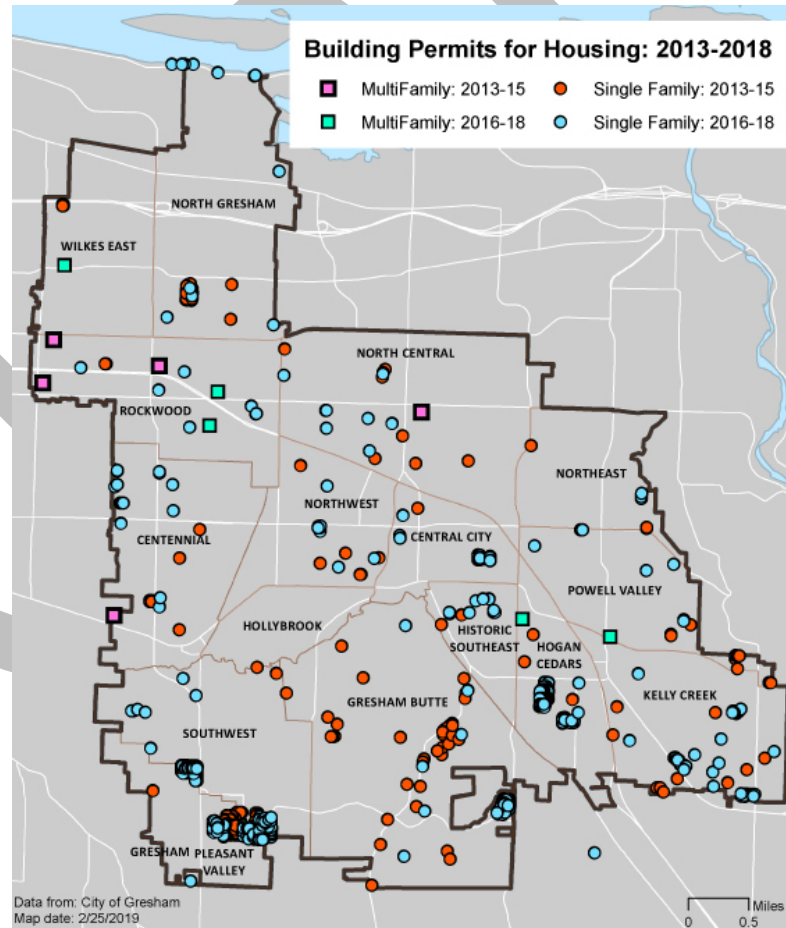


Note: The CoStar Building Rating System is a national standardized rating for commercial buildings on a five star scale. The system uses a set of definitions established to describe expected levels of quality for each rating, within each property type. For multifamily properties, those amenities are architectural design, structure/systems, amenities, site and landscaping, and certifications.

Single-family units have been built throughout the city in the past five years, while multifamily growth has been concentrated in West Gresham and along the US 26 corridor in Southeast Gresham.

There have been more permits for single family in Pleasant Valley, and in Hogan Cedars neighborhood, particularly adjacent to Palmquist.

Exhibit 12. City of Gresham Building Permits for Housing Units, 2013-2018

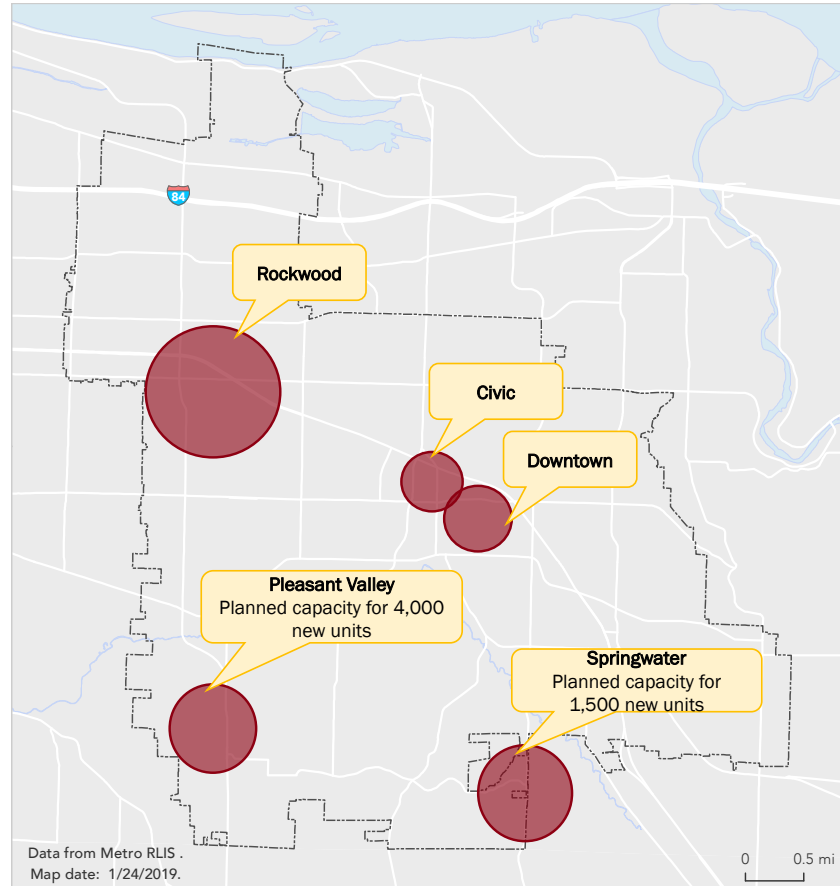


Source: City of Gresham

Areas identified for long-term housing growth include Rockwood Neighborhood, Civic Neighborhood, Downtown, Pleasant Valley, and Springwater.

Exhibit 13. Neighborhoods Identified for Additional Long-term Housing Growth in Gresham

Source: City of Gresham Staff, Pleasant Valley District Plan, Springwater Plan Appendix 44; ECONorthwest, Metro RLIS, 2019.



3 Housing Market Framework

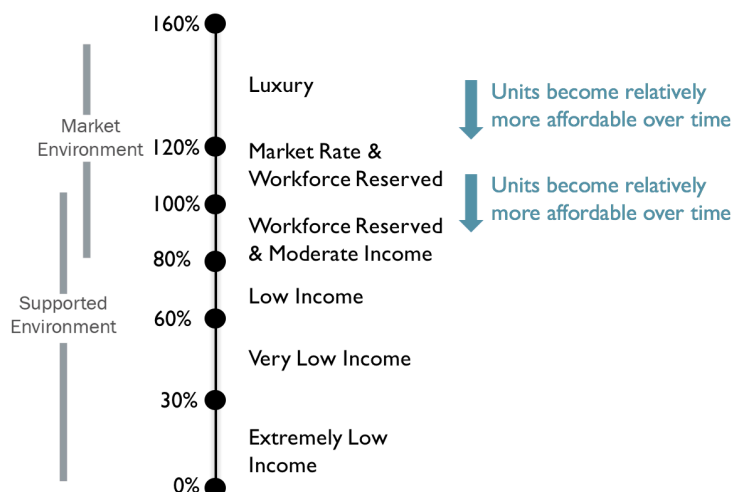
This section provides an overview of the factors that influence the supply of affordable and market-rate housing within the City at different price points, so that the City's efforts can better align with market drivers.

As with other goods and services, housing prices rise when demand (net new households) increases faster than supply (units available). Over time, the only way to stabilize housing price is to balance the supply of housing with demand for it. Public resources can then be used to invest in housing for the lowest income residents and for supportive services for all residents.

New development is necessary to allow the market to provide housing that is affordable to middle income earners.

Most new market-rate development—with the possible exception of very small units—is only affordable to moderate- and high-income households. The addition of new housing supply, even if it is only affordable to upper income earners, is the primary means through which markets provide affordable housing to lower-income households over time. New development is nearly always priced at the high end of the local housing market, primarily because it must achieve that level of pricing to cover the cost of acquiring land as well as financing and constructing a new building. Over time, and as incomes rise and even more expensive new units are built, what was previously affordable only to very high-income earners becomes affordable to middle- and lower-income earners. In a functional market with ample new development occurring on a regular basis, this process houses most people, with the exception of the lowest-income earners. Exhibit 14 **Error! Reference source not found.** provides an overview of this process.

Exhibit 14. Housing Affordability Spectrum



Source: ECONorthwest, 2016

The city needs more housing units of all types.

An effective housing strategy for Gresham will employ actions that preserve the city's stock of existing affordable units while reducing barriers to the production of new market-rate housing units and regulated affordable units.

Preservation of Existing Naturally Affordable Market-

Rate Units: Older, depreciated units are vulnerable to redevelopment pressure. When older housing is demolished or renovated and replaced with market-rate development, those affordable units disappear. Cities can increase the availability of housing that is affordable to lower income households by slowing the rate of demolition and renovation of market-provided affordable housing. They may also choose to acquire and rehabilitate existing lower-cost housing to maintain it as regulated affordable housing.

Market-Rate Housing: The City of Gresham has seen less development of new market-rate housing in the past ten years. The City's strategy can set up incentives that encourage the production of new housing that will help alleviate pressure on housing supply over time.

Regulated Affordable Housing: A housing strategy that focused only on adding new market-rate units would fail to serve the entire population. The most direct way to produce housing units that will be affordable to mid- and lower-income households is to build units that are specifically set aside for households at lower income levels. Another more common way to provide regulated affordable housing is through Section 8 housing vouchers. Through this program, program participants pay 30% of the household's monthly income towards rent, and the rest is paid to the landlord by the housing authority that manages the household's voucher. which provide a rent, Another important consideration is that most (if not all) regulated affordable units have *terms of affordability*, or a time period during which income restrictions must be maintained. When those terms expire, units may revert to market-rate units without intervention. Maintaining and adding to a supply of affordable units requires public-sector investment. Local revenue sources (such as the recently-passed Metro housing bond) are key to increasing the supply of affordable housing.

Definitions:

Regulated or Supported Affordable Housing – housing that is affordable due to public subsidies and/or regulations that restrict based on income levels or rents

Low Cost Market Rate Affordable Housing – housing that is provided at an affordable rate on the open market; not subsidized by the government and not legally restricted by income levels or rents

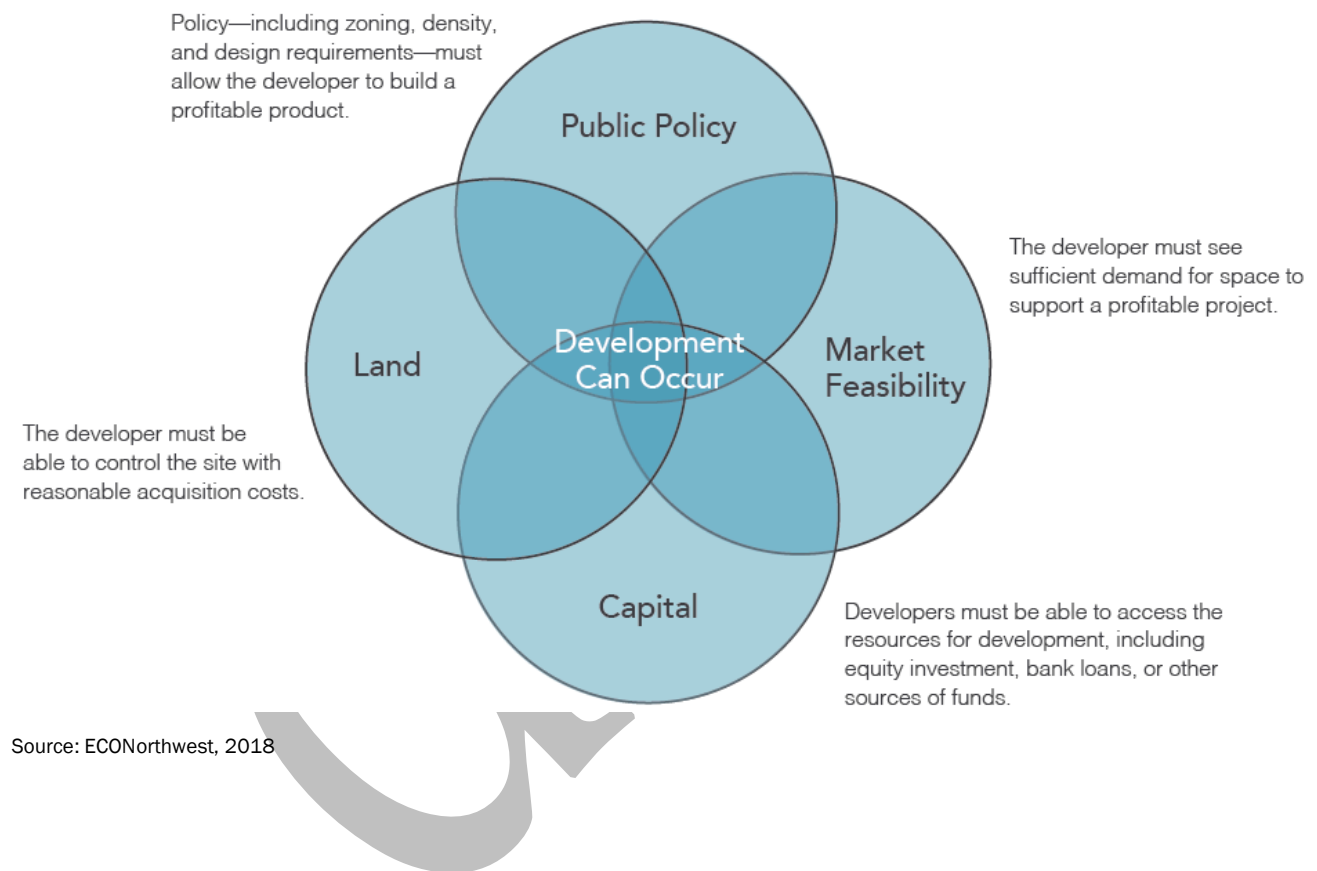
Definition Source: Washington County Affordable Housing Development Strategy

Four necessary pre-conditions allow new market-rate housing.

The addition of new market-rate housing units is one critical way to keeping an affordable housing crisis from worsening. It generates units for a mix of incomes, which makes for healthy neighborhoods and cities. Understanding how market-rate development occurs is an optimal starting place for understanding how housing policies and development incentives can be structured to work with the market to increase the supply of market-rate housing.

Exhibit 15 illustrates the principal factors that must intersect before new market-rate housing development can occur: public policy (allowable density, required use mix), market feasibility (achievable pricing relative to production cost), capital (cost and availability), and land (cost and availability).

Exhibit 15. Four Factors that Drive Development Feasibility



How the City Can Influence Development Outcomes

The planks of the City’s Housing Implementation Strategy that address new construction can be organized into three categories of actions: funding and incentives, regulations, and planning. Aligning actions in these categories with the market and with desired outcomes can support the production of both market-rate and affordable units. Exhibit 16 provides an overview of the types of actions that fall into these three categories.

Exhibit 16. Development Policy Levers

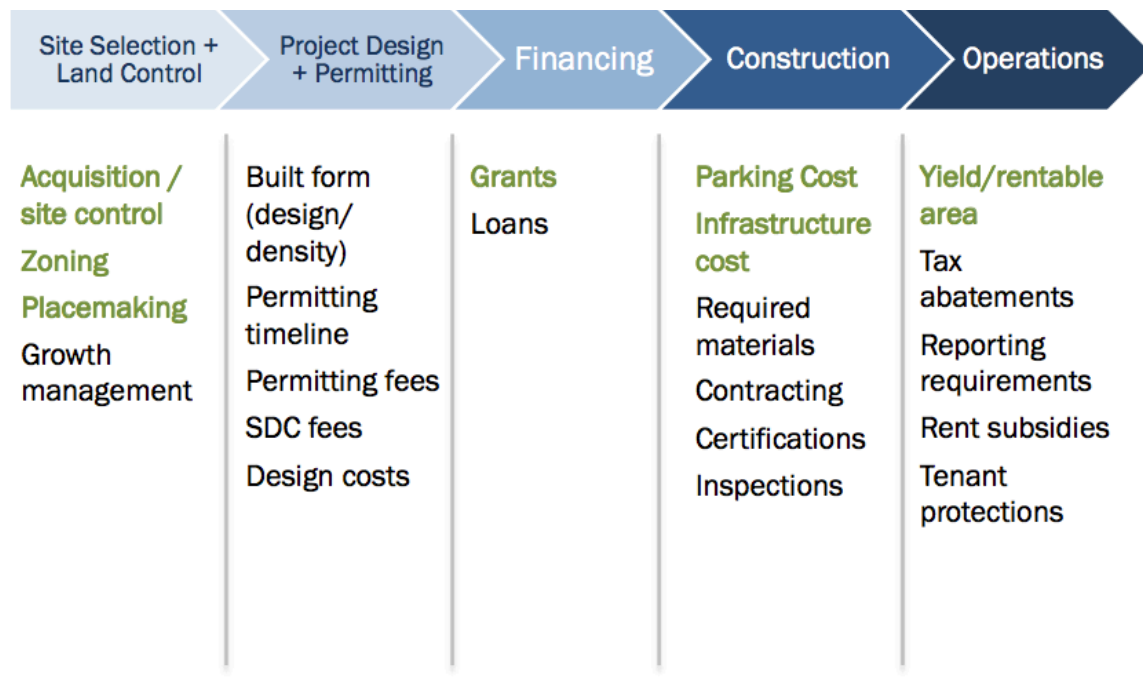
Funding & Incentives	Regulations	Planning
Loans	Zoning	Land supply
Grants	Parking + infrastructure requirements	Placemaking/Amenities
Property taxes / Tax abatements	Permit & impact fees	Infrastructure
Land write downs	Permitting timeline	Transit/parking availability
	Requirements for contracting	

Source: ECONorthwest, 2018

One useful way of organizing the actions that the City can take to encourage affordable and market-rate development is to make explicit how each influences development feasibility. Cities can provide incentives to developers at the beginning of the process, such as providing lower cost land or flexible zoning. During construction, cities can provide direct assistance in providing funding for parking or infrastructure, or indirect assistance by relaxing regulations related to provision of these facilities.

Exhibit 17 shows a high-level outline of the typical process that developers go through in developing a project, from looking at potential development sites all the way through building operations. The actions shown in green have the greatest impact on the development pro forma, and are thus likely to serve as the most useful incentives for developers.

Exhibit 17. Policy Levers by Property Development Phase



Source: ECONorthwest, 2018

Understanding the intersection between City actions and the development process leads to better and more targeted policies, and a better foundation for effective partnerships with affordable and market-rate developers. The toolkit described in the next and final section of this Background Report provides specific tools, strategies, and actions that the City can take within this framework.

3.1 Housing Strategies Toolkit

The Task Force is considering a long list of potential strategies for increasing the availability of housing at different affordability levels in the City of Gresham. This includes programs to incent the production of new housing, programs to preserve housing and/or require affordability, and tools that the City can use to fund these initiatives. Exhibit 18 provides an overview of the tools organized into six categories. The Task Force can use the information provided in this section to narrow the list of tools that the group should explore in greater detail.

Exhibit 18. Tools by Category

Locally-Controlled Funding Source	Development Code and Permitting Incentives	Affordability Requirements
<ul style="list-style-type: none"> • CDBG Funds • HOME Investment Partnership Grant • Urban Renewal Funding • General Obligation Bond • Construction Excise Tax • Existing General Fund Revenue • Local Option Levy 	<ul style="list-style-type: none"> • Expedited and Fast-Tracked Building Permits • Reduced Parking Requirements • Density/Height Bonuses • Incentives for Space-Efficient Housing 	<ul style="list-style-type: none"> • Inclusionary Zoning • Rent Regulation
Ownership or Sale Requirement	Programs to Fund or Reduce Costs for Housing Development or Preservation	Property Tax Abatement Programs
<ul style="list-style-type: none"> • City Registry of Rental Buildings • Policies Requiring/Incenting Purchase Rights to Nonprofits or City • Policies Requiring Notification of Expiring Contracts 	<ul style="list-style-type: none"> • Land Acquisition Strategy and Land Banking • Pre-Development Assistance • Financing Building Permit and Planning Fees or SDCs • Reduced or Waived Permit Fees/SDCs • Grants/ Loans for New Development • Grants/ Loans for Recapitalization or Capital Repairs 	<ul style="list-style-type: none"> • Multiple-Unit Limited Tax Exemption Program • Vertical Housing Tax Abatement • Non-Profit Affordable Housing Property Tax Abatement • Low Income Rental Housing Property Tax Abatement • Tax Abatement for New and Rehabilitated Multifamily Rental Housing

Locally-Controlled Funding Sources

Community Development Block Grants (CDBG)

How It Works	A federal program that provides annual grants on a formula basis to both local governments and States which can be used for acquisition and rehabilitation of existing affordable units, as well as new construction that prioritizes community development efforts. At least 70% of the CDBG funds must be used for activities that benefit low- and moderate- income people.
Relevant Regulations	United States Code, Title 42, Chapter 69, Sections 5301 to 5321
Fund Sources	Federal HUD funds
Benefits	<ul style="list-style-type: none">• <i>Flexibility:</i> Funds are fairly flexible in application. Communities develop their own programs and funding priorities and consult with local residents before making final decisions.• <i>Politically Feasible:</i> Program has been run since 1974, and is seen as being fairly reliable. HUD Section 108 is one mechanism that increases the capacity of block grants to assist with economic development projects, by enabling a community to borrow up to 5 times its annual CDBG allocation.
Drawbacks	<ul style="list-style-type: none">• <i>Funding Challenges:</i> Competitive process to secure loans/grants for individual projects. Amount of federal funding for CDBG has been diminishing over the past few years.• <i>Administratively challenging:</i> Administration and projects must meet federal guidelines such as Davis Bacon construction requirements.
How Used in Gresham?	<ul style="list-style-type: none">• Yes, provides an existing funding source. For fiscal year 2018-2019, HUD allocated \$1,021,997 to the City of Gresham. Investments included projects for housing development, housing rehabilitation, public improvements and economic development.
What More Could You Explore?	<ul style="list-style-type: none">• How could other tools and strategies leverage CDBG funding to produce more units or have a further reach?• Could the City use operational strategies or protocols from the CDBG program to make it easier to implement other tools?

HOME Investment Partnership Grant

How It Works	Federal funds distributed to local governments to support homeownership and affordable housing for low- and very low-income families. Can be used for homeownership programs, tenant-based assistance, housing rehabilitation, new construction of housing, site acquisition and improvements, demolition, relocation, or other necessary/reasonable activities related to developing non-luxury housing.
Relevant Regulations	Title II of the Cranston-Gonzalez National Affordable Housing Act
Fund Sources	<ul style="list-style-type: none">• Federal HUD funds
Use	<ul style="list-style-type: none">• Can be used for acquisition and rehabilitation of existing affordable units.• Can be used for new construction, depending on housing types, how the program is set up, and what community development efforts are prioritized.• Minimum of 90 percent of HOME funds used for rental housing must assist persons with household incomes below 60 percent of the median income. 20 percent must assist persons with household incomes below 50 percent of the median income.• Rents cannot exceed published low and high HOME rents for period of affordability. (Term of affordability is 5 to 20 years depending on type of activity).
Benefits	<ul style="list-style-type: none">• Provides funding to support development of low and very-low income affordable housing.
Drawbacks	<ul style="list-style-type: none">• Subsidy limits range from \$28,000 to \$187,000 per unit.• Prohibits the combining of other federal resources on HOME assisted projects.• Must provide 25 percent non-federal match.
How Used in Gresham?	Yes, provides an existing funding source. The City of Gresham received commitment for its Fiscal Year 2018-2019 funding allocation of \$700,575 in HOME funds. Projects included investments in home ownership and homeless prevention.
What More Could You Explore?	<ul style="list-style-type: none">• How could other tools and strategies leverage HOME funding to produce more units or have a further reach?

Urban Renewal / Tax Increment Finance (TIF)

How It Works	<p>Tax increment finance revenues are generated by the increase in total assessed value in an urban renewal district from the time the district is first established. As property values increase in the district, the increase in total property taxes (i.e., city, county, school portions) is used to pay off the bonds. When the bonds are paid off the entire valuation is returned to the general property tax rolls. Urban renewal funds can be invested in the form of low interest loans and/or grants for a variety of capital investments:</p> <ul style="list-style-type: none"> • Redevelopment projects, such as mixed-use or infill housing developments. • Economic development strategies, such as capital improvement loans for small or startup businesses which can be linked to family-wage jobs. • Streetscape improvements, including new lighting, trees and sidewalks. • Land assembly for public as well as private re-use. • Transportation enhancements, including intersection improvements. • Historic preservation projects. • Parks and open spaces.
Relevant Regulations	ORS Chapter 457
Fund Sources	Local taxing jurisdictions' permanent rate property tax impacts.
Benefits	<ul style="list-style-type: none"> • <i>Revenue generating:</i> Over the long term (most districts are established for a period of 20 or more years), urban renewal can produce significant revenues for capital projects. • <i>Revenue flexibility:</i> Provides a flexible tool to implement community priorities that catalyze new development. It can be used to help pay for a wide range of capital investments, including market rate or affordable housing development and property acquisition.
Drawbacks	<ul style="list-style-type: none"> • <i>Revenue loss:</i> Reduces growth in property tax revenue by the city, county, and other taxing districts until the urban renewal district expires or pays off bonds. • <i>Costly:</i> Investing over \$750,000 in TIF directly into a new or rehab private project triggers prevailing wage requirements, which can increase overall project costs by 10 – 20%. • <i>Time consuming:</i> Due to the sometimes slow or indirect nature of property tax growth, urban renewal can often take five or more years to produce meaningful levels of revenue. • <i>Politically challenging:</i> Complex process requires extensive public involvement and community support, especially from other taxing jurisdictions. Use of urban renewal can be politically contentious because of its impact on funds available to overlapping taxing districts, and because of the perception that the school districts are adversely impacted.
How Used in Gresham?	Yes, limited to the Rockwood URA, which was established in 2003. This District expires in 2023 and has limited funding capacity remaining. Projects identified in the urban renewal budget has included investments in the Stark Street Property redevelopment (Boys & Girls Club, Open School), Catalyst Site Redevelopment (Rockwood Rising), the Rockwood Public Safety Facility, pedestrian and street safety improvements, and the 188 th MAX station redevelopment.
What More Could You Explore?	<ul style="list-style-type: none"> • Are there specific properties that Rockwood URA could support if extended? • How could a new urban renewal area support the City's housing goals alongside redevelopment in a new urban renewal area? What would the boundary be? What stakeholders should be involved in early conversations?

General Obligation Bond

How It Works	Provides a stable, dedicated revenue source for affordable housing through increased property tax rates. The issuing jurisdiction can use general fund monies on hand or can issue bonds backed by the full faith and credit of the city to pay for desired public improvements.
Relevant Regulations	ORS Chapter 456
Fund Sources	Property taxes are increased to pay back the General Obligation (GO) bonds.
Benefits	<ul style="list-style-type: none"> • <i>Revenue potential:</i> Can generate substantial funding for capital investments.
Drawbacks	<ul style="list-style-type: none"> • <i>Administrative Challenge:</i> Requires public vote. • <i>Economic Challenges:</i> <ul style="list-style-type: none"> ○ Takes time and money to run a campaign for public vote. ○ Raises property owner taxes.
How Used in Gresham?	<ul style="list-style-type: none"> • Metro regional affordable housing GO bond will provide funding for Gresham and other cities. Metro will set program requirements, but cities will determine how to expend funds within those parameters. • City has not used local GO bonds for housing.
What More Could You Explore?	<ul style="list-style-type: none"> • Next step will be to develop a local investment strategy for the Metro GO bond.

Construction Excise Tax (CET)

How It Works	<p>CET is a local tax assessed on new construction. The tax is assessed as a percent of the value of the improvements for which a building permit is sought, unless the project is exempted from the tax. In 2016, the Oregon Legislature passed Senate Bill 1533 which permits cities to adopt a construction excise tax on the value of new construction projects to raise funds for affordable housing projects. CETs may be assessed on residential development, commercial/industrial development, or both. The tax is limited to 1% of the permit value on residential construction, but uncapped on commercial and industrial construction. The allowed uses for CET funding are defined by the state statute. The City may retain 4% of funds to cover administrative costs. The remaining funds from a residential CET must be allocated as follows:</p> <ul style="list-style-type: none"> • 50% must be used for developer incentives (e.g. fee and SDC waivers, tax abatements, etc.) • 35% may be used flexibly for affordable housing programs, as defined by the jurisdiction. • 15% flows to Oregon Housing and Community Services for homeowner programs. <p>For a CET on commercial or industrial uses, 50% of the funds must be used for allowed developer incentives and the remaining 50% are unrestricted.</p>
Relevant Regulations	ORS 320.170 to 320.189
Fund Sources	Revenue comes from new development that is subject to the CET at the time the building permit is issued.
Benefits	<ul style="list-style-type: none"> • <i>Flexibility:</i> The City gets to define affordable housing programs to best meet local needs, and has flexibility to use revenue from a commercial and industrial CET for a range of purposes, including both housing and economic development.
Drawbacks	<ul style="list-style-type: none"> • <i>Increases development costs:</i> In tight markets, will be passed on in the form of higher housing costs. • <i>Varies with market cycles:</i> Since the revenue is generated from building permits, when new development activity slows, little revenue is collected.

How Used in Gresham?	Not used at present.
What More Could You Explore?	<ul style="list-style-type: none"> • Evaluate impacts to development feasibility • Estimate revenue potential from a CET on commercial/industrial or residential development.

Existing General Fund Revenue

How It Works	A city can use general fund dollars to directly invest in a specific affordable housing projects. These grants or loans can serve as gap funding to improve development feasibility. Another option is to use general fund dollars to contribute to other programs that are successfully operating, such as non-profit land trusts or even other government agencies that have the administrative capacity to maintain compliance requirements over time, using intergovernmental agreements.
Benefits	<ul style="list-style-type: none"> • Flexible source of funds.
Drawbacks	<ul style="list-style-type: none"> • General fund dollars tend to be limited and funding for housing would compete with other city priorities. • Investing over \$750,000 of public funds directly into a new or rehab private project triggers prevailing wage requirements, which can increase overall project costs by 10–20%. • Lending of Credit provision prohibits a city from contributing to certain private sector projects, so the use of these funds should be evaluated carefully for legal compliance.
How Used in Gresham?	Not used for housing at present.
What More Could You Explore?	<ul style="list-style-type: none"> • Under what conditions would the City consider allocating general fund revenue towards housing programs?

Local Option Levy

How It Works	<p>Creates a time-limited property tax, subject to voter approval, that is levied in addition to a City or taxing jurisdiction's permanent rate to pay for specified programs or investments.</p> <p>A local option levy is a commonly-used public funding mechanism, though it is less frequently used for affordable housing. It is a time-limited property tax (five years for operations and 10 years for capital projects), subject to voter approval, that is levied in addition to a City or taxing jurisdiction's permanent rate to pay for specified programs or investments. It is distinct from a GO bond (described above) in three important ways:</p> <ol style="list-style-type: none"> 1. Levies are issued as a rate, rather than an amount, meaning that actual revenues may fluctuate from year to year with new development and with market cycles as assessed values change. 2. In addition to capital projects, a local option levy could pay for programs or operations. 3. Levies are subject to the limitations imposed by Measures 5 and 50, meaning new or increased levies can increase the risk of 'compression' for other overlapping taxing districts and for the levy itself.²
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² Compression is the reduction of tax revenues to taxing districts to accommodate the limitations imposed through state law. GO Bonds are not subject to compression, though levies are. Compression occurs when tax revenues exceed limits set in Oregon's constitution. In most cases, taxes are imposed by applying the tax rate to the assessed value for each individual property in the City. However, constitutional changes in the 1990s imposed a second test: if the revenues imposed through applying the tax rate to the assessed value exceed \$15 per \$1000 (\$10 per \$1,000 for general government and \$5 per \$1,000 for schools) of real market value (rather than assessed value), then the tax rates are 'compressed', or reduced proportionately, until the revenues are within the constitutional limits. This calculation is completed annually for every property to determine taxes imposed. In general, compression risk is low when market values, which fluctuate with market cycles, are high relative to assessed values. In the Great Recession, when market values fell, many communities across Oregon began to experience revenue losses as a result of compression.

Relevant Regulations	ORS 280.040 to 280.145
Fund Sources	<ul style="list-style-type: none">• Property tax revenues
Benefits	<ul style="list-style-type: none">• Provides a tool for land acquisition and redevelopment that can be flexibly deployed throughout the City.• Can be used to provide rent support or achieve other programmatic or operational goals, so long as voters approve the uses.
Drawbacks	<ul style="list-style-type: none">• Subject to voter approval.• Increases risk of compression (see notes above)
How Used in Gresham?	Not in use.
What More Could You Explore?	<ul style="list-style-type: none">• Gauge community appetite for a property tax increase to support housing.• Identify how big of a levy you would need to fund specific housing incentive programs.

If compression occurs, revenues are reduced categorically, starting with levies. A new levy therefore increases the risk of compression for itself and for all other levies by raising the total tax rate closer to a rate that would impose the constitutional limit. (For more information, see: “How Property Taxes Work in Oregon.” Oregon Department of Revenue website, available at: <http://www.oregon.gov/dor/programs/property/pages/property-taxes.aspx>)

Development Code and Permitting Incentives

Expedited and Fast-Track Land Use and Building Permits

How It Works	Expedites land use and building permits for pre-approved development types or building characteristics (e.g. projects with green building components or that include affordable housing).
Relevant regulations	ORS 197.360 to 197.380 Codified in Chapter 745, 2017 Laws
Benefits	<ul style="list-style-type: none"> • <i>Cost savings:</i> Shortening permitting time saves on carrying costs for development. • <i>Reduces uncertainty:</i> Having greater certainty that a project will be approved in a timely manner.
Drawbacks	<ul style="list-style-type: none"> • <i>Low Impact:</i> May not have a large enough impact on development bottom line to change financial viability of project.
How Used in Gresham?	<ul style="list-style-type: none"> • Limited. City has implemented a development review timeline for certain types of affordable housing consistent with recent changes to state law. Land use permits for certain types of affordable housing developments are processed within 100 days (instead of 120 days). • Projects with innovate site and building designs which create a sense of place and provide an active pedestrian experience can qualify for expedited development review in the city's central neighborhoods.
What More Could You Explore?	<ul style="list-style-type: none"> • What additional types of developments should be eligible for the fast track program? What should be the criteria for participation? • Program tracking: What is the impact of this program for development feasibility?

Reduced Parking Requirements

How It Works	Parking can be one of the more expensive parts of project development (when structured) or can consume large amounts of land, reducing the amount of development that can fit on a site. To the extent that code requires more parking than a developer would otherwise want to provide, the cost of meeting these requirements creates financial burden. A city can adjust the parking requirements for all housing, or specifically for affordable housing projects.
Benefits	<ul style="list-style-type: none"> • ECONorthwest has worked with the City of Portland and the City of Gresham on analysis of changes to parking ratios and found that, in both cases, reducing parking ratios improved development feasibility. • Changing the zoning is an inexpensive solution from a public-sector perspective. • Supports transit ridership, if development is near transit.
Drawbacks	<ul style="list-style-type: none"> • Reduced parking can have spillover effects, such as impacts on short-term street parking available for local businesses and residents. • On its own, reduced parking requirements may not provide enough incentive power to change development feasibility. • If developers / tenants demand more parking than the lower ratios provide, the incentive power is lessened, as developers may be required by lenders to provide a greater amount of parking than the ratios require.
How Used in Gresham?	<ul style="list-style-type: none"> • The City has policies that allow up to a 50% reduction in parking if a developer does a parking study that shows they don't need the spaces. Very seldom do developers build so few parking spaces, so the program is underutilized.
What More Could You Explore?	<ul style="list-style-type: none"> • What could the City do to improve uptake of this incentive? • Program tracking: What is the impact of this program for development feasibility?

Density/Height Bonuses for Affordable Housing

How It Works	Allows an increase in building height and/or density for developments that include affordable housing units.
Benefits	<ul style="list-style-type: none"> • Changing the zoning is an inexpensive solution for the City. • Allows affordable housing developments to make the most of development sites. • Reduces land costs on a per unit basis.
Drawbacks	<ul style="list-style-type: none"> • Unlikely to be valuable enough on its own to incent developers to include affordable units in a market rate development.
How Used in Gresham?	Limited - In the downtown plan district, there are some density (floor area ratio) bonuses for use of sustainable development techniques or provision of significant public amenities that have never been used. There are no other clearly established bonus systems. Existing entitlements for multifamily are already generous.
What More Could You Explore?	<ul style="list-style-type: none"> • Should the City consider options for downtown density bonuses? • Are other development standards preventing density bonuses from being valuable, or is the constraint primarily market-based?

Incentives for Space-Efficient Housing

How It Works	Creating development standards that allow or allow certain types of housing such as cottage clusters, internal division of larger homes, duplexes, and accessory dwelling units. In theory, these units are more affordable than other units because they are smaller. Code measures could include density bonuses, reduced parking ratios, and special design standards that are better suited to the type of housing in question. (For more information see research through the State of Oregon's Transportation Growth Management program on zoning and other policy approaches to space-efficient housing: http://www.oregon.gov/LCD/TGM/Pages/SpaceEfficientHousing.aspx .)
Benefits	<ul style="list-style-type: none"> • Changing the zoning is an inexpensive solution for the City. • May increase supply of smaller homes, which may be more affordable. • Does not require large empty properties. • Depending on market conditions and property owner motivation, may be more likely to be privately funded (without public support).
Drawbacks	<ul style="list-style-type: none"> • Not guaranteed to promote housing of a certain price. • Can generate neighborhood opposition.
How Used in Gresham?	Limited - the City has created the Innovative Housing code which (1) allows greater densities in exchange for requirements like shared open space and (2) permits new housing typologies that aren't allowed in other areas of the city (such as multi-plex, narrow lot, and cottage units). The policy expires in June 2019, but Council will likely extend the program another 5 years to do in-depth research on policies for housing diversity.
What More Could You Explore?	<ul style="list-style-type: none"> • How does allowing different unit types affect affordability and/or availability? • How could the City revise / expand this program to make it more of an incentive for housing type and variety? • Where and for what housing types could an expanded and revised program have greatest impact? • How can the City match these policies with Proposed HB 2001 (if passed), which would require cities to allow a greater range of housing types in single family residential zones?

Affordability Requirements

Inclusionary Zoning

How It Works	<p>Inclusionary Zoning (IZ) requires or incents developers to set aside a certain share of new housing at a price affordable to people of low or middle income. In 2016, the Oregon Legislature passed Senate Bill 1533, which allows cities to implement inclusionary zoning requirements under certain conditions. These conditions relate to the income at which the below-market units must be affordable (80% MFI), the percent of the project set aside as affordable (no greater than 20% of the project), the size of the projects (only if greater than 20 units) and the requirement for both an in-lieu fee option and incentive package.</p> <p>In theory, private market-rate development supports some portion of the cost of the affordable units in an inclusionary project through cross-subsidy from the market-rate units. However, per state law, public incentives are also required. These incentives can be regulatory (reduced parking requirements or density bonuses, for example), financial (property tax abatements, SDC waivers, or other forms of public investment), or both.</p>
Relevant Regulations	ORS 197.309
Benefits	<ul style="list-style-type: none">• Has opportunity to create some new affordable units, especially in “high-opportunity” (high rent) areas with good schools, jobs, and amenities.• Designed to lead to mixed-income projects; helps avoid economic and racial segregation• Can create a revenue source for affordable housing if the inclusionary program allows fee-in-lieu payments
Drawbacks	<ul style="list-style-type: none">• IZ does not work unless market-rate development is feasible.• Programs can be administratively difficult to design and implement. Staff must ensure that tenants comply with income-qualification requirements.• If incentives are insufficient to offset program requirements, IZ may encourage developers to develop less housing or charge more for the market rate housing, pushing up overall rental costs.• Overall, evidence of success is mixed and seems largely dependent on which specific incentives are adopted as part of the IZ policy and how they match the city's need.
How Used in Gresham?	Not used at present.
What More Could You Explore?	<ul style="list-style-type: none">• Are there specific areas of Gresham where IZ would be a useful tool?• Are there examples of cities that have used IZ in a limited geography with success?

Rent Regulation

How It Works	<p>Rent regulation is a price control that limits how much a landlord can charge for renting out a unit or the rent increase allowed upon lease renewal. These policies are broken into <i>rent stabilization</i> and <i>rent control</i>.</p> <p><i>Rent Stabilization.</i> Most programs in the United States fall into this category. A landlord may set the base rent at the free market value, but may only raise the rent by a set percentage each time a tenant renews a lease. These laws generally require the landlord to notify tenants in advance of a rent increase at renewal. These policies protect tenants in privately owned residential properties from excessive rent increases, while at the same time ensure that landlords receive a return on their investment that is deemed fair by the controlling authority.</p> <p><i>Rent Control.</i> Rent control acts as a price ceiling by preventing rents from being charged above a certain level.</p> <p>Rent regulation is currently not allowed in Oregon, but Senate Bill 608, which recently passed the state Senate, would establish statewide rent regulation along with additional tenant protections.</p>
Relevant Regulations	ORS 91.225; SB 608 (2019 - pending)
Benefits	<ul style="list-style-type: none"> • Can improve stability for renter households.
Drawbacks	<ul style="list-style-type: none"> • These programs do not create long-term affordability if landlords can return units to market rents once they become vacant. • City would continue to see code violations and property maintenance issues unless there were adequate provisions or financial supports for landlords making improvements to their properties. • Potential impacts include reduced mobility of residents who might otherwise move into a unit that better meets their needs. • Rent caps may provide little incentive for landlords to improve their properties.
How Used in Gresham?	Not in use.
What More Could You Explore?	<ul style="list-style-type: none"> • How should the City adapt to new rent regulations at the state level if statewide regulations change? • If new statewide regulations do not pass, how would local rent regulation fit in with other tenant protection measures under consideration?

Programs to fund or reduce costs for housing development or preservation

Land Acquisition Strategy and Land Banking

How It Works	<p>Land banks support affordable housing development by reducing or eliminating land cost from development. They can take several forms. Many are administered by a non-profit or non-governmental entity with a mission of managing a portfolio of properties to support affordable housing development over many years or decades. Ideally, a land bank is set up to manage financial and administrative resources, including strategic property disposal, for the explicit purpose of supporting affordable housing development. Cities can partner with non-profits or sometimes manage their own land banks. Cities may also donate, sell, or lease publicly-owned land for the development of affordable housing even without a formal 'land bank' organization.</p> <p>Land banks are intended for short-term ownership of lands. Lands acquired are often vacant, blighted, or environmentally-contaminated. Land banks may also acquire lands with title defects or of which derelict structures sit. Lands are eventually transferred to a new owner for reuse and redevelopment. (For more information: Metro's January 2016 <i>Opportunities and Challenges for Affordable Housing</i> report provides examples of land banks in other communities, including details of Eugene's land bank model.)</p>
Relevant Regulations	Oregon House Bill 2734. Amends; ORS 244.050, 465.255, 466.640, 486B.310.
Benefits	<ul style="list-style-type: none"> • <i>Economic Advantages:</i> <ul style="list-style-type: none"> ○ Can greatly lower costs for the owner of the planned development. ○ If donating surplus land, the donation/disposition can relieve the upkeep costs for the city. ○ Can leverage federal, philanthropic or private (if a non-governmental organization), or other sources of funding for land acquisition. ○ Can employ a strategy of buying when land prices are low and holding for desired market conditions in the future. • <i>Impact:</i> In interviews, have developers listed land donation or write down as among the most critical tools for supporting affordable housing production. • <i>Locational influence:</i> Can control the location of the development within the city.
Drawbacks	<ul style="list-style-type: none"> • <i>Political Challenges:</i> Requires political commitment over time and across market cycles • <i>Administrative Challenges:</i> Donating surplus land might require coordination between multiple departments • <i>Acquisition Challenges:</i> Purchasing new land requires the additional step of finding and securing the property and funding land acquisition and due diligence. • <i>Costs:</i> Administering a land-bank can be costly.
How Used in Gresham?	<ul style="list-style-type: none"> • Limited - City is already doing some of this internally and in partnership with Metro.
What More Could You Explore?	<ul style="list-style-type: none"> • What is current value of city properties? • Which properties can be redeveloped? • Which properties should be retained? • What revenue can a sale or ground lease provide? • Investigate how other jurisdictions have marketed city-owned properties for housing developments and what types of contractual agreements were entered into for their development.

Pre-Development Assistance

How It Works	Grants or low interest loans for pre-development activities (e.g. development feasibility or infrastructure analysis) to reduce upfront costs.
Benefits	<ul style="list-style-type: none"> • <i>Economic Feasibility</i>: Reduces what are often risky pre-development costs for developments that fulfill community goals. • <i>Politically Favorable</i>: Enables developers and communities to explore wider range of project possibilities, particularly those that can meet more community as well as private sector objectives.
Drawbacks	<ul style="list-style-type: none"> • <i>Administrative and Equity Challenges</i>: Can be perceived as favoring particular developers or property owners. CDBG is only available in eligible areas
How Used in Gresham?	<ul style="list-style-type: none"> • There is a small amount of earmarked operations funds for pre-development assistance for qualifying projects.
What More Could You Explore?	<ul style="list-style-type: none"> • Does the City have capacity to offer its assistance outside of URAs? How could the City market its program - ad hoc or as a formal grant program? How much assistance could the City offer?

Financing Building Permit and Planning Fees or System Development Charges

How It Works	These programs reduce the impact of development fees and systems development charges (SDCs) on the development cost of the project by allowing the developer to avoid the upfront cost and finance the fees over time. A financing program can be used as an incentive to induce qualifying types of development or building features (in this case, affordable housing). The city still receives fees and SDCs, but at a later date. This can, however, create cash flow challenges.
Relevant Regulations	ORS 223.297 to 223.314
Benefits	<ul style="list-style-type: none"> • Nominally increases development feasibility by reducing soft costs for developers. • Fee cost structures are within city control and can be easier to implement than other components of the development cost structure.
Drawbacks	<ul style="list-style-type: none"> • Reduces revenues, in the short term, to provide permitting and compliance services. • Financing fees adds costs to a developer's operating budget, which is already very constrained. Although this tool will decrease the development cost, it will increase the operational cost of a project by having an additional debt payment. Employing this tool in an affordable deal might not be feasible due to a constrained operating budget relative to revenue. • Impact on development feasibility is limited.
How Used in Gresham?	<ul style="list-style-type: none"> • Yes, the City offers financing of SDCs as part of its expedited permitting program. The City offers the incentive on a project-by-project basis.
What More Could You Explore?	<ul style="list-style-type: none"> • How could the City improve this program?

Reducing or Waiving Building Permit and Planning Fees or System Development Charges

How It Works	Some jurisdictions offer SDC exemptions for affordable housing developments or other development types and subsidize them with funding from another source (e.g. urban renewal or general fund); reduce permit fees; or offer reduced SDC rates for certain types of development that tend to have lower system impacts and may also be lower cost (e.g. accessory dwelling units). This reduces the cost to build those types of housing and can allow affordable housing developers to produce units more cost-effectively.
Relevant Regulations	ORS 223.297 to 223.314
Benefits	<ul style="list-style-type: none"> • Nominally increases development feasibility by reducing soft costs for developers. • Fee cost structures are within city control and can be easier to implement than other components of the development cost structure.
Drawbacks	<ul style="list-style-type: none"> • Reduces revenues to fund permitting staff (for permit fees) and infrastructure (for SDCs). • SDC exemptions that are not based on reduced impact to the infrastructure system in question should be considered carefully by the jurisdiction's legal counsel.
How Used in Gresham?	<ul style="list-style-type: none"> • Not used at present.
What More Could You Explore?	<ul style="list-style-type: none"> • To what degree can the City afford to forego revenue from permit fees and SDCs in order to support development of needed housing types?

Grants/ Loans for New Development

How It Works	Funds available in the form of grants or loans to developers of affordable housing or other types of housing that meets local goals.
How Used in Gresham?	<ul style="list-style-type: none"> • Not used at present.
What More Could You Explore?	<ul style="list-style-type: none"> • To what degree can the City afford to forego revenue from permit fees and SDCs in order to support development of needed housing types?

Grants/Loans for Recapitalization or Capital Repairs

How It Works	Funds provided to property owners to address the needs of (1) regulated affordable housing properties at risk of conversion to market rate units, (2) repairs and upgrades to low cost market rate properties to reduce need for rent increases, or (3) people interested in acquiring an existing property for conversion to regulated affordable housing.
How Used in Gresham?	<ul style="list-style-type: none"> • Limited - through CDBG program
What More Could You Explore?	<ul style="list-style-type: none"> • Dependent on availability of funding and funding program requirements.

Property Tax Abatement Programs

Multiple-Unit Housing Tax Exemption (a.k.a. MUPTE or MULTE)

How It Works	<p>Through the multiple-unit tax exemption, a jurisdiction can incent diverse housing options in urban centers lacking in housing choices or workforce housing units. Through a competitive process, multi-unit projects can receive a property tax exemption for up to ten years on the improvement value of the property. Though the state enables the program, each City has an opportunity to shape the program to achieve its goals by controlling the geography of where the exemption is available, application process and fees, program requirements, criteria (return on investment, sustainability, inclusion of community space, percentage affordable or workforce housing, etc.), and program cap. The City can select projects on a case-by-case basis through a competitive process.</p> <p>The City establishes the program via ordinance or resolution. A public hearing is required to determine whether qualifying housing would or would not be built without the benefit of the program. The City must establish standards and guidelines with requirements for eligibility.</p>
Relevant Regulations	ORS 307.600 to 307.637
Benefits	<ul style="list-style-type: none">• City-controlled on project-by-project basis.• City sets eligibility criteria; program is flexible to support various objectives related to encouraging housing.• Tax abatements positively impact the feasibility of projects where market-rate projects are feasible and can help cross-subsidize the affordable units.• Does not require active ground floor use.• The city can set an annual cap on the total amount of tax exemptions in any given year for all projects.• Property owner can apply by the February before first assessment year of requested exemption. Construction need not be complete.
Drawbacks	<ul style="list-style-type: none">• Must get affirmative support from at least some overlapping taxing districts in order to apply to their tax collections.• Discretionary application process creates uncertainty during the development stage and more work for applicants.• May provide insufficient incentive to lead to affordability unless paired with other tools.• City foregoes some property tax revenue for 10 years.
How Used in Gresham?	Not in use
What More Could You Explore?	<ul style="list-style-type: none">• What types of multifamily housing / what specific features would the City want to use the program to incent? Where would the City want to apply the program?• How much impact would the program have on the feasibility of those types of housing?• How much revenue would the City forego?• Would other taxing districts be willing to participate?

Vertical Housing Tax Abatement

How It Works	<p>This program provides a partial exemption of property taxes for multistory mixed-use housing projects for 10 years, which reduces operating costs and improves development feasibility. (The 2017 Legislature passed legislation moving the administration of Vertical Housing Program from Oregon Housing and Community Services (OHCS) to the local City and County beginning Oct 6th, 2017. OHCS no longer administers this program.)</p> <p>Using this program, a jurisdiction can subsidize "mixed-use" projects to encourage dense development or redevelopment by providing a partial property tax exemption on the improvement value for qualified developments. The exemption varies in accordance with the number of residential floors on a mixed-use project with a maximum property tax exemption of 80 percent over 10 years. An additional property tax exemption on the land may be given if some or all of the residential housing is for low-income persons (80 percent of area is median income or below). Ground floor commercial uses are required.</p> <p>Zone designation:</p> <ul style="list-style-type: none"> • A city may designate an area within the city as a vertical housing development zone. • A county may designate as a vertical housing development zone an area that is subject to a goal exception for residential use approved under ORS 197.732. • With the prior consent of the governing body of each city in which a proposed vertical housing development zone is to be located, a county may designate any area within each city that has given consent for vertical housing development zone designation as a vertical housing development zone. • A city and a county, or any combination of cities and counties, may designate an area within each jurisdiction as a vertical housing development zone. • A city or county must consider the potential for displacement of households within a proposed vertical housing development zone before designating the zone. <p>Once the Zone is established, a developer may apply for the Vertical Housing Tax Abatement Program for eligible projects.</p>
Issuing Legislation	ORS 307.841 to 307.867
Benefits	<ul style="list-style-type: none"> • Targeted tool to support mixed-use development in places with locational advantages. • Overlapping taxing districts must take action to opt out, rather than having to take affirmative action to approve zone designations and project applications. • Offers incentives for market rate, mixed income, and affordable housing, with greater incentives for affordable/mixed income housing.
Drawbacks	<ul style="list-style-type: none"> • May provide insufficient incentive to lead to affordability unless paired with other tools. • Currently requires retail space, which may not be viable or appropriate for all projects. • Can't qualify until project is under construction – creates uncertainty for developer & lenders • City foregoes some property tax revenue for 10 years.
How Used in Gresham?	<ul style="list-style-type: none"> • The City has an existing program and is thinking about changing the boundary and parameters so more projects are eligible.
What More Could You Explore?	<ul style="list-style-type: none"> • How could the City improve this program?

Non-Profit Affordable Housing Property Tax Abatement

How It Works	The Oregon legislature authorizes a property tax exemption for low-income housing (60% MFI and below initially, though incomes can rise up to 80% of AMI) held by charitable, nonprofit organizations only. It can be applied for land held by a nonprofit for the purposes of affordable housing development. The exemption applies to land and improvements. Tax exemption must be applied for every year, but can continue as long as the property meets the criteria.
Relevant Regulations	ORS 307.540 to 307.548
Benefits	<ul style="list-style-type: none"> • No requirement that construction be complete prior to application. • Works well in tandem with other incentives, such as land banking. • Reduces carrying costs before development occurs (tax exemption available for land being held for development of affordable units), and offsets operational costs once the development is complete.
Drawbacks	<ul style="list-style-type: none"> • Must get affirmative support from at least some overlapping taxing districts in order to apply to their tax collections. • Limited applicability / eligibility. Supports most publicly-funded affordable housing but not mixed-income housing. • Requirement for nonprofit program to reapply every year may be burdensome.
How Used in Gresham?	Not in use.
What More Could You Explore?	<ul style="list-style-type: none"> • Are non-profit affordable housing developments in Gresham largely already receiving a tax exemption? Has it been a struggle to get them approved? • Would other taxing districts be willing to participate?

Low Income Rental Housing Property Tax Abatement

How It Works	The Oregon legislature authorizes a property tax exemption for new rental housing exclusively for low-income households (60% MFI and below). Exemption lasts 20 years. Housing need not be owned or operated by a nonprofit entity.
Relevant Regulations	ORS 307.515 to 307.523
Benefits	<ul style="list-style-type: none"> • No requirement that construction be complete prior to application. • Works well in tandem with other incentives, such as land banking. • Reduces carrying costs before development occurs (tax exemption available for land being held for development of affordable units), and offsets operational costs once the development is complete.
Drawbacks	<ul style="list-style-type: none"> • Must get affirmative support from at least some overlapping taxing districts in order to apply to their tax collections. • Limited applicability / eligibility. Supports most publicly-funded affordable housing but not mixed-income housing. • Requirement for nonprofit program to reapply every year may be burdensome.
How Used in Gresham?	Not in use.
What More Could You Explore?	<ul style="list-style-type: none"> • Is most regulated affordable housing in Gresham owned & operated by non-profits or for-profits? • How much would the City forego in property taxes? • Would other taxing districts be willing to participate?

Tax abatement for new and rehabilitated multifamily rental housing

How it Works	<p>Offers a full property tax abatement for up to 10 years for multifamily rental housing affordable at up to 120% of Area Median Income. City sets length of exemption based on percent of units meeting affordability criteria.</p> <p>Allows cities and counties to create a property tax exemption for newly rehabilitated or newly constructed multi-unit rental housing within their boundaries depending on the number of units made available to low-income households, for up to 10 consecutive years.</p> <p>All new multifamily units that are built or renovated that offer rent below 120% of AMI anywhere in the city are potentially eligible for this tax exemption. The exemption is for the full property tax levy – land and improvement value of all taxing districts, but cannot go into effect unless governing bodies representing at least 51% of the total combined tax rate (when combined with the City's tax rate) agree to grant the exemption.</p>
Relevant Regulations	House Bill 2377 / chapter 624, Oregon Laws 2017 ³
Benefits	<ul style="list-style-type: none"> • Properties must re-apply every year, which provides a built-in enforcement mechanism. This is not overly burdensome since they only need to show that they continue to meet the criteria, which are non-discretionary. • All properties that meet eligibility criteria must be granted the exemption, reducing uncertainty.
Drawbacks	<ul style="list-style-type: none"> • Little ability to tailor the program to offer greater benefits to projects that are more desirable, and all eligible projects get the exemption. • With market rents even for new construction generally already affordable at or below 120% of AMI, this would offer as much of an incentive for market-rate development as for affordable housing development.
How Used in Gresham?	Not in use.
What More Could You Explore?	<ul style="list-style-type: none"> • How broadly would this be expected to apply, given current market-rate rents in Gresham? How much would the City forego in property taxes? Would other taxing districts be willing to participate?

Ownership or Sale Requirement

City Registry of Rental Buildings

How It Works	A program that mandates that owners and landlords of multi-unit properties register and or license their businesses. The City can use program to watch for opportunities to preserve housing that may be sold or may see rents increase.
How Used in Gresham?	Yes, the City is tracking rental buildings.
What More Could You Explore?	<ul style="list-style-type: none"> • How could the City best use this information to support its housing strategy? Could the City enhance its system to better track code violations, current rents, or other market conditions?

³ The text is included following ORS 307.867 in the online version of ORS Chapter 307, but is not numbered to match the rest of the statute.

Policies Requiring/ Incenting Purchase Rights to Nonprofits or City

How It Works	Policy that would require landlords to notify cities and/or nonprofits of the intent to sell so that the cities/nonprofits have the ability to purchase land/properties before they turn to market rate (important for NOAHs)
How Used in Gresham?	Limited - Only as required under state law for manufactured housing parks
What More Could You Explore?	<ul style="list-style-type: none">• How should the City integrate this process into its housing strategy? Would it be feasible and appropriate for the City to expand the use of these practices beyond manufactured home parks?

Policies Requiring Notification of Expiring Contracts

How It Works	Policy requiring that rent-regulated properties coming upon their regulatory expirations notify cities or nonprofits (again to enable cities/nonprofits to purchase the properties before they turn to market rate)
How Used in Gresham?	Yes, a two-year notice is a requirement at the state level.
What More Could You Explore?	<ul style="list-style-type: none">• Coordinate with OHCS to develop strategy for properties at risk of conversion.

4 Next Steps

Based on input from the Task Force, ECONorthwest will work with the City to revise and refine the housing strategy. In the near-term, ECONorthwest will work with the City to bring back any additional information identified during the Task Force meeting on March 6th. This will include identifying next steps for research, stakeholder outreach, or policy discussions that the City should have to advance tools that the Task Force deems most promising.

The final Strategy will serve as an action plan for the City as it shapes its housing policy to attract new development to the city.